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SUBJECT: FOREIGN TRADE PERFORMANCE DURING FIRST SIX MONTHS
OF SIXTH FIVE YEAR PLAN

REFS A. PRAGUE 2571, B) PRAGUE 2527 (NOTAL)

1. SUMMARY: JUST RELEASED REPORT FROM CZECHOSLOVAK STATISTICAL
OFFICE SHOWS CZECHOSLOVAKIA RUNNING TRADE DEFICIT WITH CAPITALIST
COUNTRIES DURING FIRST SIX MONTHS 1976. PLAN CALLS FOR EXPORTS
TO EXCEED IMPORTS AND IS BEING MET WITH CEMA TRADING PARTNERS.
FIGURES PREPARED BY U.S. DEPARTMENT OF COMMERCE SHOW
CZECHOSLOVAK EXPORTS TO U.S. DROPPING COMPARED TO SAME PERIOD
1975, WHILE U.S. EXPORTS HERE ARE UP CONSIDERABLY. PROSPECTS
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ARE THAT PRESENT TREND WILL CONTINUE AS CZECHOSLOVAK TRADE

DEFICIT WITH WEST CONTINUES TO WIDEN. END SUMMARY

2. BURRIED DEEP IN GLOWING NEWS OF PLAN OVER-FULFILLMENT DURING FIRST SIX MONTHS OF YEAR IS DISCOURAGING NOTE (FOR CZECHOSLOVAKS) ON FOREIGN TRADE. FEDERAL STATISTICAL OFFICE REPORT SAYS BASIC TARGET OF PLAN--EXPORTS TO EXCEED IMPORTS--WAS MET WITH "SOCIALIST" COUNTRIES BUT NOT WITH NON-SOCIALIST COUNTRIES.

STATEMENT POINTS TO 14.3 PERCENT INCREASE IN TWO-WAY TRADE WITH CEMA PARTNERS OVER SAME PERIOD LAST YEAR, AND 13.1 PERCENT INCREASE WITH SOVIET UNION.

3. REPORT ADMITS THAT WHILE TWO-WAY TRADE WITH WESTERN COUNTRIES REMAINED AT SAME LEVEL, GROWTH RATE OF IMPORTS HIGHER THAN EXPORTS. CZECHOSLOVAKS SAY IMPORTS FROM WESTERN COUNTRIES 2.7 PERCENT HIGHER THAN FIRST SIX MONTHS OF 1975 WHILE EXPORTS SAME GROUP IS 4 PERCENT DOWN. AS IS USUAL IN SUCH REPORTS, NO FIGURES GIVEN, ONLY PERCENTAGES. USING THIS SAME METHOD, REPORT SAYS THAT TOTAL EXPORTS TO CEMA COUNTRIES ARE 15 PERCENT OVER SAME TIME LAST YEAR WHILE CZECHOSLOVAK IMPORTS FROM THESE COUNTRIES ARE UP 9.6 PERCENT.

4. TRADE WITH U.S. DEFINITELY FOLLOWS PATTERN OF TRADE WITH CAPITALIST COUNTRIES DESCRIBED IN REPORT. U.S. DEPARTMENT OF COMMERCE FIGURES FOR SAME PERIOD SHOW CZECHOSLOVAK EXPORTS TO U.S. DOWN SLIGHTLY OVER JANUARY-JUNE 1975. HAD U.S. DEPARTMENT OF AGRICULTURE INSPECTORS NOT LIFTED SANITARY OBJECTIONS TO

HAM PACKING HOUSES, DIP IN EXPORTS WOULD BE MORE SEVERE. CZECHOSLOVAKS EXPORTED OVER \$1 MILLION OF HAMS TO U.S. DURING FIRST SIX MONTHS OF YEAR (THEY EXPORTED NONE LAST YEAR), BUT TOTAL EXPORTS ARE STILL LAGGING BEHIND SAME PERIOD LAST YEAR BY ALMOST \$400,000.

5. EXPORTS OF MANUFACTURED ITEMS DIPPED SLIGHTLY FROM FIRST TWO QUARTERS LAST YEAR, BUT SALES OF MACHINERY DROPPED DRASTICALLY. PATTERN OVER LAST 18 MONTHS SEEMS TO INDICATE THAT NEW ORDERS FROM U.S. TO CZECHOSLOVAKIA ARE NOT COMING. POSSIBLE TO BLAME RECESSION IN WEST FOR PART OF PROBLEM, BUT U.S. HAS BEEN IN RECOVERY STAGE AND CZECHOSLOVAKIA SHOULD BE LIMITED OFFICIAL USE

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IN POSITION TO RAPIDLY INCREASE EXPORTS SINCE HER STRONG POINTS HISTORICALLY ARE THOSE PRODUCTS MOST NEEDED BY EXPANDING INDUSTRIAL ECONOMY. THAT SHE IS NOT HOLDING HER OWN IN EXPORT OF CAPITAL GOODS INDICATES SOME SERIOUS DEFICIENCY AND CAUSE IS INTIMATED BY STATISTICAL OFFICE REPORT AND NOTED IN PARAS 6 AND 8 REF A.

6. EXPLOSION IN AMERICAN AGRICULTURAL EXPORTS TO CZECHOSLOVAKIA,

AS REPORTED BY DEPARTMENT OF COMMERCE, HAS OBSCURED
SUBSTANTIAL INCREASE IN SALES OF NON-RESOURCE PRODUCTS. IN
1975 CZECHOSLOVAKIA IMPORTED OVER \$16 MILLION OF U.S. MANUFACTURED
PRODUCTS WITH \$9.4 MILLION OF SALES COMING IN LAST SIX MONTHS
OF YEAR. CZECHOSLOVAK IMPORTS OF THESE ITEMS ARE OVER \$11
MILLION FOR THE FIRST TWO QUARTERS THIS YEAR. TREND INDICATED
FOR THE PAST 18 MONTHS IS DEFINITELY UPWARD AND GREATEST INCREASE
COMING IN SALES OF ELECTRONIC COMPUTERS AND PARTS, BUSINESS
MACHINES AND ACCESSORIES, AND OTHER ELECTRONIC EQUIPMENT.
SALES OF TRACTORS AND CHEMICALS ALSO STRONG AND INCREASING.

7. BIG NEWS FOR U.S. EXPORTS TO CZECHOSLOVAKIA REMAINS
MANIFOLD INCREASE IN AGRICULTURAL SALES. AS OF JUNE U.S. HAD
SHIPPED OVER \$41 MILLION IN AGRICULTURAL PRODUCTS, MAINLY YELLOW
CORN, SOYBEAN OIL, CAKE AND MEAL, AND HOPS. THIS FIGURE
COMPARES WITH \$19.2 MILLION FOR ALL LAST YEAR (AND TOTAL U.S.
EXPORTS OF \$52 MILLION). THIS JUMP IN SPRING IMPORTS PROBABLY
RESULT OF LAST YEARS CROP SHORTFALL. STILL TOO EARLY TO DETERMINE
IF THIS YEAR'S AGRICULTURAL PROBLEMS WILL BE REFLECTED IN U.S.
AGRICULTURAL SALES (REF B).

9. CONCLUSION: CZECHOSLOVAK GOVERNMENT HAS GOOD REASON TO
MOURN THE TRADE TREND INDICATED BY FIRST SIX MONTHS 1976.
CZECHOSLOVAK MANUFACTURED PRODUCTS ARE PROBABLY BECOMING
LESS COMPETITIVE ON WESTERN MARKETS DUE TO POOR QUALITY. PART
OF QUALITY PROBLEM IS RESULT OF AGING INDUSTRIAL PLANT HERE WHICH
CAN BE IMPROVED ONLY WITH IMPORT OF WESTERN CAPITAL GOODS.
PROSPECTS ARE THUS FOR CONTINUED AND INCREASING TRADE DEFICIT
WITH CAPITALIST COUNTRIES AS CZECHOSLOVAKS STRUGGLE TO OVERCOME
DEFICIENCIES ALLUDED TO IN GOC REPORT AND NOTED HERE
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